

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Karnette Analyst: LuAnna Hass Bill Number: SB 1875
Related Bills: See Legislative History Telephone: 845-7478 Introduced Date: February 22, 2002
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Homeowners and Renters Assistance Program Continuous Appropriation/Documentation Requirement

SUMMARY

This Franchise Tax Board sponsored bill would:

- provide the Senior Citizens Homeowners and Renters Property Tax Assistance Program (HRA) with a continuous appropriation, and
- change the documentation requirements for filing an HRA claim.

Each provision will be discussed separately in this analysis.

PURPOSE OF THE BILL

The purpose of this bill is to provide improved customer service to HRA claimants by:

- ensuring the department has a continuous flow of money to pay claims timely, and
- eliminating the current law requirement that claimants of homeowners assistance must attach their annual property tax statement to their filed claims.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2003.

POSITION

Support.

On March 6, 2002, the Franchise Tax Board voted 2-0 to sponsor the language included in this bill.

ANALYSIS

STATE LAW

State law authorizes FTB to administer several non-tax programs, one of which is the HRA program.

Board Position:

<u> X </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> PENDING

Department Director

Date

Alan Hunter for GHG

03/22/02

For HRA claimants, existing state law provides partial reimbursement of the previous fiscal year's property taxes on a personal residence paid directly by a homeowner and indirectly by a renter. Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. The percentage on which the reimbursement amount is based varies inversely with the applicant's income level and ranges from 4% to 96%.

To be eligible for assistance, claimants must be 62 years of age, blind, or disabled. In addition, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount. Total household income consists of adjusted gross income (as computed for tax purposes) increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed an inflation-adjusted maximum amount. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from July 1st through October 15th, inclusive. However, FTB may accept claims through June 30th of the year following the year for which assistance is claimed.

THIS BILL

This bill would:

- provide a continuous appropriation to fund HRA assistance payments, and
- eliminate a requirement that claimants of homeowners assistance must attach their annual property tax statement.

1. CONTINUOUS APPROPRIATION

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations and would improve the department's ability to administer laws relating to HRA by ensuring claimants receive their assistance amounts in a timely and consistent manner.

FISCAL IMPACT

This bill would not have a significant impact on the departmental costs for administering the HRA program.

ECONOMIC IMPACT

This bill would not impact state income tax revenue or HRA assistance payments.

ARGUMENTS/POLICY CONCERNS

This bill would provide improved customer service to HRA claimants by reducing any delay in processing claims by ensuring that the department has a continuous flow of money to pay claims as they are processed. Although claims can be filed beginning July 1 of each year, the department cannot process any claim until funds are appropriated in the state's annual budget. If the state's annual budget is not adopted by June 30, the delay in processing claims results in a hardship to claimants and numerous telephone calls to the department's call center as well as visits to the field offices by claimants inquiring about the assistance checks.

For example, in 2001, claimants who filed on July 1 did not receive their assistance until after the state's annual budget was signed on July 26, 2001, resulting in at least a three-week delay. By July 26th the department had received approximately 450,000 claims, resulting in approximately 367,000 checks totaling over \$75 million that were being held pending the passage of the state budget. During that time, the department answered approximately 55,000 calls from claimants, many of which were inquiring about the payments.

In addition, this bill would reduce the number of telephone calls and field office visits by HRA claimants, reducing the demand on departmental resources. The delays in processing confuse HRA claimants, who do not always understand the reasons for the delays. These delays create agitated claimants who contact the department and visit the field offices asking about their assistance checks. In other instances, the claimant may file a second claim under the assumption the first claim may not have been received.

2. DOCUMENTATION REQUIREMENT

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

FISCAL IMPACT

This bill would not have a significant impact on the departmental costs for administering the HRA program. The department would experience a slight decrease in storage space due to the decrease in the amount of documentation that would be received to verify claims. Further, the department expects a decrease in the number of claims that must be resolved through manual correspondence. The department would re-direct the personnel resources dedicated to resolving claims through correspondence to other workload responsibilities within the HRA program such as the call center and electronic processing.

ECONOMIC IMPACT

This bill would not impact state income tax revenue or HRA assistance payments.

ARGUMENTS/POLICY CONCERNS

Current law is vague regarding the types of documentation that must be submitted to validate an HRA claim. For example, homeowners are required by law to attach a copy of their property tax bill to their claim each year and the law could be interpreted to require proof of age, blindness, or disability on an annual basis. Under this bill, the department would have the authority to request information on an "as needed" basis. The department would continue to contact those claimants whose information could not be independently verified, as necessary.

Reducing the required documentation for an HRA claim would allow the department potentially to take advantage of electronic filing, imaging, and scanning technology for the HRA program.

LEGISLATIVE HISTORY

AB 2979 (AR&T Committee, 2001/2002) would update statutory cross-references, remove obsolete language, and change the start date for filing an HRA claim.

AB 1370 (Wiggins, Stats. 2001, Ch. 266) provided a permanent 45% increase in HRA payments.

SB 14 (Peace, Stats. 2001, Ch. 02) appropriated an additional \$40 million to pay HRA claims.

SB 218 (Dunn, 2001/02) would have provided an increase of 150% for all future claims that are filed beginning with the 2001 claim year. This bill died in the Senate Revenue and Taxation Committee.

AB 385 (Strickland, 2001/02) would have increased the homeowners maximum property value, the renters property tax equivalent, and the household income amounts. This bill died in the Assembly Revenue and Taxation Committee.

AB 2416 (Machado, Stats. 2000, Ch. 615) provided an additional \$60,000,000 for the HRA program since the current budget year appropriation to pay claims was exhausted.

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time 150% increase for claims filed for the 2000 claim year and changed the filing dates to submit claims.

PROGRAM BACKGROUND

The program currently referred to as HRA began in 1968, initially providing relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for assistance under the program.

Claimants must file an HRA claim under penalty of perjury on a form provided by the department. A claimant filing for homeowners assistance must attach a copy of the property tax bill and a renter claiming assistance must identify the landlord and amount paid for rent. In addition, the law also may be interpreted to mean that a claimant must attach documentation to the claims to annually substantiate their age, blindness, disability, and household income (tax returns, schedules, etc).

In previous years, the department interpreted the law to require that a claimant must attach separate documentation to substantiate a valid claim. However, as a result of a recent department analysis of the statute, it was determined that a claimant filing for renter assistance may file the claim under penalty of perjury without attaching the documentation stated above. Claimants who file for homeowner assistance may file the claim under penalty of perjury, but must attach a copy of their annual property tax statement. Therefore, beginning with the 1999/2000 claim year, the department began accepting claims as valid if the claimant filed a claim under penalty of perjury on a form prepared by the department.

OTHER STATES' INFORMATION

Review of *Colorado, Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York* laws found that only two states have programs that are comparable to the HRA program in California. *Colorado* does not require any documentation to be included with the property tax rebate claim. The claimant signs under penalty of perjury that the information on the form is true and correct. The signature also authorizes the Department of Revenue to contact the appropriate agencies to verify any information that is provided on the form, including income and property tax. *Minnesota* requires claimants of the property tax refund program to include copies of their property tax statement and/or a copy of their Certificate of Rent Paid.

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